

NO. 96-31380

NATURAL RESERVES GROUP, INC.,

Plaintiff,

v.

BAKER HUGHES, INCORPORATED; BAKER
SERVICE TOOLS, a Division of BAKER
HUGHES PRODUCTION TOOLS, INC. n/k/a
BAKER HUGHES OILFIELD OPERATIONS, INC.;
BAKER SAND CONTROL, a Division of BAKER
HUGHES OILFIELD OPERATIONS, INC.;
EASTMAN CHRISTENSEN DRILLING SYSTEMS,
which changed its name to EASTMAN
TELECO COMPANY which merged with HUGHES
CHRISTENSEN COMPANY which merged with
BAKER HUGHES MINING TOOLS, INC.,
n/k/a BAKER HUGHES DRILLING
TECHNOLOGIES, INC. which merged with BAKER
HUGHES PRODUCTION TOOLS, INC., n/k/a
BAKER HUGHES OILFIELD OPERATIONS, INC.;
BAKER OIL TOOLS, INC. n/k/a BAKER HUGHES
OILFIELD OPERATIONS, INC.; EASTMAN
TELECO COMPANY which merged with HUGHES
CHRISTENSEN COMPANY which merged with
BAKER HUGHES MINING TOOLS, INC. n/k/a
BAKER HUGHES DRILLING TECHNOLOGIES,
INC. which merged with BAKER HUGHES
PRODUCTION TOOLS, INC., n/k/a BAKER
HUGHES OILFIELD OPERATIONS, INC.;
TRI-STATE OIL TOOLS, INC.; and MILCHEM,
INC. d/b/a MILPARK DRILLING FLUIDS,

Defendants.

IN THE DISTRICT COURT OF

HARRIS COUNTY, TEXAS

333RD JUDICIAL DISTRICT

DEFENDANTS' ORIGINAL COUNTERCLAIM

Baker Hughes, Incorporated and Baker Hughes Production Tools, Inc., two of the Defendants herein, file this counterclaim against Natural Reserves Group, Inc., Plaintiff, and Sperry-Sun Drilling

Services, Inc., Halliburton Energy Services, Inc. and Halliburton Company, Counter-Defendants, and as grounds therefore would show the following:

I. PARTIES AND SERVICE

1. Defendants and Counter-Plaintiffs, Baker Hughes, Incorporated and Baker Hughes Production Tools, Inc. (hereinafter collectively referred to as "Baker Hughes"), are Delaware and California corporations, respectively, and are authorized to do business in Texas.

2. Plaintiff and Counter-Defendant, Natural Reserves Group, Inc. ("NRG"), is a company authorized to do business and doing business in Houston, Texas. Pursuant to Rule 21a of the Texas Rules of Civil Procedure, NRG may be served with this Counterclaim by sending same certified mail to NRG's attorney of record, Tom Bayko, Bayko, Gibson, Carnegie, Hagan, Schoonmaker & Meyer, L.L.P., Texas Commerce Tower, 50th Floor, Houston, Texas 77002-2900.

3. Counter-Defendant, Sperry-Sun Drilling Services, Inc. ("Sperry-Sun") is a Delaware corporation and may be served with process by serving its president, Pat M. Murray, 3000 North Sam Houston Parkway East, Houston, Texas 77031, or by serving its registered agent, Corporation Service Co., 400 N. St. Paul, Dallas, Texas 75201.

4. Counter-Defendants, Halliburton Company and Halliburton Energy Services, Inc., (hereinafter referred to collectively as "Halliburton"), are Delaware corporations. Halliburton Company may be served with process by serving its vice-president, Robert Nash, 5151 San Felipe, Houston, Texas 77056. Halliburton Energy Services, Inc. be served with process by serving its chief executive officer, Ken R. LeSuer, 5151 San Felipe, Houston, Texas 77056. In the alternative, both

of these Cross-Defendants may be served through their registered agent for service of process, CT Corp. System, 350 N. St. Paul, Dallas, Texas 75201.

II. JURISDICTION AND VENUE

5. This Court has specific jurisdiction over NRG, Sperry-Sun and Halliburton pursuant to the contract(s) entered into by and between these parties which are performable in Texas, and the Court further has general jurisdiction over these parties because of their contacts with the state of Texas.

6. Venue is proper in Harris County, Texas, pursuant to section 15.002(a)(1) of the Texas Civil Practice & Remedies Code, as all or a substantial part of the events or omissions giving rise to the claims of Baker Hughes occurred in Harris County, Texas.

III. FACTS

7. Baker Hughes has independently developed technology for the creation and completion of horizontal, lateral, and/or multi-lateral well holes. Much of this multi-lateral technology was also patented through applications filed as early as 1992 and patents issued from 1993 forward.

8. In 1996, Baker Hughes discovered that Sperry-Sun and Halliburton were using certain of Baker Hughes' independently developed and patented multi-lateral technology in their own businesses. Baker Hughes asked Sperry-Sun and Halliburton to discontinue this practice in various correspondence sent in 1996, including without limitation, correspondence sent to Sperry-Sun on January 29, 1996 and correspondence sent to Halliburton on April 25, 1996.

9. After receiving this correspondence from Baker Hughes, Sperry-Sun and Halliburton contacted NRG, who had licensed allegedly similar technology to Halliburton and Sperry-Sun in November of 1995. Sperry-Sun and Halliburton each met separately with NRG and then met together at NRG's behest to determine collectively the response to Baker Hughes correspondence. The lawsuit was filed as a result of the various meetings by and between NRG, Sperry-Sun and Halliburton.

10. NRG, Sperry-Sun and Halliburton have devised a scheme whereby they would steal Baker Hughes' independently developed technology through the pursuit of claims belonging solely to NRG. These claims date back to 1992 when NRG had no patents, and Halliburton and Sperry-Sun had no interest or involvement. These claims also would never have been brought by NRG but for the participation of Sperry-Sun and Halliburton, and NRG has agreed to share the benefits of its recovery on these claims, if any, with both Sperry-Sun and Halliburton.

11. NRG, Halliburton and Sperry-Sun have also exchanged numerous proposals regarding their participation in the scheme to steal Baker Hughes' independently developed technology. These proposals have included Halliburton's offer to buy the claims of NRG against Baker Hughes. Sperry-Sun has also offered to fund the litigation of NRG's claims and Halliburton has been asked to do the same. Part of the agreement ultimately reached is dated June 21, 1996, which is the same date as NRG's lawsuit. This agreement is signed by and between Sperry-Sun and NRG, but also benefits Halliburton. It offers incentives for NRG to file a lawsuit against Baker Hughes and a bonus for winning that lawsuit. It also provides for the sharing of damages by and

between NRG and Sperry-Sun, and further provides for Halliburton to benefit by becoming a licensee of any rights that NRG may obtain in Baker Hughes' multi-lateral technology and patents.

12. Both Sperry-Sun and Halliburton have continually monitored the litigation even though it involves NRG's independent claims for alleged misappropriation of trade secrets and the alleged breach of confidentiality agreements between NRG and Baker Hughes. Sperry-Sun's attorney is even on the pleadings. The petition has been reviewed by Halliburton and Sperry-Sun. Both companies have been represented at hearings and have filed joint motions with NRG. Halliburton and Sperry-Sun have tried to justify this activity by pointing to their licenses of NRG's patents, but the litigation has nothing whatsoever to do with these licenses or infringement of NRG's patents. The real purpose is the concerted effort to steal customers and market share from Baker Hughes in the area of multi-lateral drilling by attacking Baker Hughes' patents. Sperry-Sun and Halliburton have used NRG as an agent for this purpose.

IV. CAUSES OF ACTION

13. All conditions precedent to Baker Hughes' claims and causes of action against NRG, Sperry-Sun and Halliburton have performed or have occurred. The foregoing facts in paragraphs 7 through 11 are realleged in support of these claims and causes of action.

A. Tortious Interference

14. Halliburton, Sperry-Sun and NRG have tortiously interfered with Baker Hughes' existing and prospective business relations and contracts by encouraging, supporting and pursuing NRG's trumped up claims against Baker Hughes. Halliburton and Sperry-Sun have used NRG's

claims as cover in an effort to obtain drilling contracts and to complete wells with Baker Hughes' patented techniques, or to otherwise harm, injure, or erode Baker Hughes' existing and prospective business in this area. These parties have taken these actions willfully and maliciously for the purpose of harming Baker Hughes' industry position and taking market share. Such actions are also not privileged, as they have nothing whatsoever to do with the licenses of NRG's patents to Halliburton and Sperry-Sun, but rather are aimed at destroying Baker Hughes' patent rights. In fact, the sole purpose of this specious litigation sponsored by Halliburton and Sperry-Sun is ultimately to prevent Baker Hughes from pursuing the market with the technology invented by Baker Hughes. As a proximate result, Baker Hughes has suffered and will continue to suffer damages in an amount greatly in excess of the minimum jurisdictional limits of this Court.

15. The actions of NRG, Sperry-Sun and Halliburton also support the award of punitive damages. Baker Hughes seeks to recover punitive damages from these parties, jointly and severally, to discourage or prevent this type of conduct in the future.

B. Civil Conspiracy

16. NRG, Sperry-Sun and Halliburton have combined to steal Baker Hughes' independently developed multi-lateral technology, and otherwise harm, injure or erode Baker Hughes' market share and other existing or prospective business. These parties met for this purpose in the Spring of 1996, and such meetings resulted in an agreement that benefits all of these parties. Action has further been taken by each of these parties in furtherance of the conspiracy and to achieve the common purpose of interfering with and appropriating Baker Hughes' multi-lateral technology,

customers and market share. Baker Hughes has and will continue to suffer damages as a proximate result of these concerted actions by NRG, Sperry-Sun and Halliburton.

17. The concerted action of NRG, Halliburton and Sperry-Sun has also been taken willfully and/or in reckless disregard to the rights of Baker Hughes. As a consequence, Baker Hughes seeks to recover punitive damages of and from NRG, Halliburton and Sperry-Sun.

C. Joint Business Enterprise

18. To accomplish the purpose of stealing Baker Hughes' multi-lateral technology and otherwise harming, injuring or eroding Baker Hughes' market share and other existing or prospective business, NRG, Sperry-Sun and Halliburton have also entered into a joint enterprise. Each have agreed to share the profits from this enterprise and each have asserted either expressly or impliedly a right of control or management over such enterprise. As a consequence of this joint enterprise, Baker Hughes has suffered actual damages that greatly exceed the minimum jurisdictional limits of this Court. Baker Hughes further seeks the recovery of punitive damages for the intentional conduct of this joint business enterprise.

D. Breach of Contract

19. Baker Hughes Production Tools, Inc. also has an agreement with Halliburton Co. dated April 29, 1992 which requires both parties to negotiate in good faith for at least a three (3) month period from the date of written notice of any dispute by and between the parties. Baker Hughes gave such written notice to Halliburton on or about April 25, 1996, but Halliburton refused to negotiate in good faith. Without any independent investigation, Halliburton represented to NRG

that NRG had good claims against Baker Hughes, and further suggested the filing of a lawsuit against Baker Hughes for Halliburton's benefit. Halliburton never tried to negotiate with Baker Hughes for the resolution of this dispute before it was filed, despite Baker Hughes' offer to do so. This constitutes a breach of contract for which Baker Hughes has sustained damages. These damages far exceed the minimum jurisdictional limits of this Court.

E. Attorneys' Fees

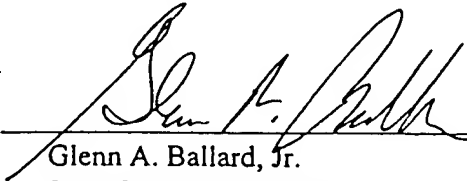
20. Baker Hughes further seeks to recover from NRG, Halliburton and Sperry-Sun its reasonable and necessary attorneys' fees. These attorneys' fees are recoverable under Chapter 38 of the Texas Civil Practice and Remedies Code and as an aspect of punitive damages.

V. PRAYER

WHEREFORE, PREMISES CONSIDERED, Baker Hughes, Incorporated and Baker Hughes Production Tools, Inc., Defendants and Counter-Plaintiffs, respectfully request that this counterclaim be served upon and answered by Natural Reserves Group, Inc., as Plaintiff and Counter-Defendant, and Sperry-Sun Drilling Services, Inc., Halliburton Company and Halliburton Energy Services, Inc., as Counter-Defendants, and after final trial or other hearing hereof that Baker Hughes recover of and from NRG, Sperry-Sun and Halliburton, jointly and severally, all damages and other relief requested herein, together with attorneys' fees, costs of court, prejudgment and post-judgment interest at the maximum legal rate, and such other and further relief to which it may show itself justly entitled.

Respectfully submitted,

Bracewell & Patterson, L.L.P.

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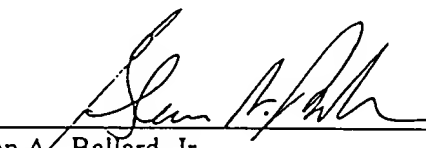
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served on all counsel of record by facsimile, certified mail, return receipt requested and/or hand delivery on the 23rd day of April, 1997.

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